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RUEHBY/AMEMBASSY CANBERRA 2066

RUEHKO/AMEMBASSY TOKYO 8531

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SUBJECT: SYG BAN'S SEPTEMBER 25 HIGH-LEVEL EVENT ON THE FOOD CRISIS
AND CLIMATE CHANGE

¶1. (SBU) Summary. Discussion of the global food price crisis dominated UN Secretary-General Ban Ki-moon's September 25 high-level event on food security and climate change. Ban committed to providing leadership on the food crisis through the High-Level Task Force process, and stated that policy changes needed to resolve the crisis have been too slow in coming. World Food Programme (WFP) Executive Director Josette Sheeran said the world is "not out of the woods" on emergency food assistance needs, and appealed to countries to voluntarily exempt humanitarian food shipments from export restrictions and unreasonable taxes. Japanese Prime Minister Aso reconfirmed the G8 leaders statement calling for a global partnership on food security. Indian Minister of State for External Affairs Anand said India's decision to implement an export ban had "not been a happy one", but added that the country has been quietly responding to humanitarian food requests from Africa.

Representatives from Bangladesh, India, and Timor-Leste noted their countries have had difficulties procuring food on commercial markets. International Fund for Agricultural Development (IFAD) President Lennart Bage proposed the creation of international guidelines to ensure that investment in agriculture in developing countries is economically and socially sustainable. On climate change, SYG Ban and representatives of Denmark, Indonesia, and Poland described in similar terms the four outcomes they said would be needed to ensure a successful outcome at the upcoming UNFCCC conference in Poznan. There was very little discussion of biofuels at the event. Senior representatives from 30 governments and eight international organizations participated in the meeting (see paras 19-20); U.S. Director for Foreign Assistance and USAID Administrator Henrietta H. Fore represented the USG. End Summary.

SYG Ban's Remarks

¶2. (U) In his remarks at the opening and closing of the evening event, Ban noted the global food crisis is far from over and that commodity prices remain significantly higher than in previous years. As a result, the number of vulnerable people is continuing to increase, with UN data suggesting that more than 900 million people are hungry, 75 million more than before the crisis. The nutritional status of millions of children is further declining and constitutes

a "moral outrage", Ban said.

13. (U) The poor and hungry are "looking at us for leadership and solutions," Ban continued, "we must not fail them." The cost of inaction will be devastating and felt all over the world in the form of sharp increases in migration, social and political instability, losses of investment opportunities and stunted economic growth. It is therefore critical to reverse the negative trend of chronic underinvestment in the agricultural sector, strengthen markets, improve fair trade, and ensure that the 400 million smallholder farmers around the world will benefit.

14. (SBU) Ban committed to providing leadership on the food issue through the High-Level Task Force process. Policy changes needed to resolve the crisis have been too slow in coming, Ban said, and the Task Force has made concrete policy proposals in its Comprehensive Framework for Action aimed at improving global food security. He encouraged participants to implement these proposals urgently and "hold ourselves and each other accountable for making real progress."

Emergency Food Assistance

15. (U) WFP Executive Director Josette Sheeran reported that the 2008 harvest has been good, but that the world is "not out of the woods" with respect to food insecurity. The cost of the WFP's program has doubled from \$3 billion to \$6 billion over the last year, Sheeran said, and countries are preparing for another difficult year in **12009**. If nations could voluntarily exempt humanitarian food shipments from export restrictions and unreasonable taxes, it would do much to ensure that the emergency food aid system would work.

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Rising shipping costs and tight food markets are making the WFP's job extremely difficult, Sheeran noted. The WFP recently attempted to purchase food for its Zimbabwe program from Brazil, but transport costs were prohibitive. Liberia President Johnson-Sirleaf said her country had not anticipated the substantial increase in rice prices, which had been particularly painful since Liberia is dependent on rice imports. She acknowledged the real solution is increased domestic production

16. (U) World Bank President Robert Zoellick noted that if donors could make small changes in the way they provide food aid, including by employing risk management tools, establishing a credit line for WFP, increasing WFP core funding, and making multi-year donations, the efficiency of the emergency food assistance system could rise by 20 percent. Japanese PM Aso noted that, at their Hokkaido Summit, G8 leaders had pledged to expand emergency assistance and work to remove export restrictions on humanitarian food shipments.

Strains in International Food Markets

17. (U) Sheeran noted that many countries are having difficulty purchasing food on international markets because of rapidly rising prices and the small percentage of some staples traded internationally. There has been some easing of export restrictions because of the harvest season, Sheeran said, but they may come back. Bangladesh Chief Advisor Ahmed noted that his country had lost 15-17 percent of its rice crop in 2008 to floods and cyclones, and in response, had asked donors to provide food aid in lieu of money. When the government tried to buy food on the commercial markets, contracts were not honored because prices rose between the contract signing and shipping date. Ahmed said poor developing countries like Bangladesh need some way to access food stocks, perhaps via a global food bank.

18. (U) Brazilian Foreign Minister Amorim acknowledged that his country had become a large net exporter in a short period of time, and is now the world's second largest producer of soybeans despite Brazil's tropical climate. He said he is not in favor of export restrictions, but added that the single biggest disincentive to expanding world food supplies is the subsidies of rich countries. Even if the Doha trade round is successful, Amorin said, the U.S.

and EU would still be spending \$15 and \$38 billion annually in trade-distorting subsidies respectively.

¶19. (U) Indian Minister of State for External Affairs Sharma noted that global food inventories remain low, at levels not seen since the 1960s. "It is not a question of availability of money," Sharma said. "The problem is availability of food." India is a large producer of food, but productivity is low with enormous post-harvest losses due to a lack of storage facilities and agro-processing industries. He said that India's decision to implement an export ban had "not been a happy one", but had been needed to ensure that 1.1 billion people in India had food security. Nonetheless, Sharma said that India has been quietly responding to humanitarian food requests from Africa. Sharma declared that the Doha trade round would not be able to move forward "unless and until the interests of subsistence farmers in developing countries are protected." Argentinean noted that developed country agricultural subsidies have discouraged investment in agriculture and are the main reason for the food crisis.

Expanding Food Production in the Medium Term

¶10. (U) Food and Agriculture Organization (FAO) Director-General Diouf noted that the FAO, working with the World Bank and WFP, has identified the most pressing needs for raising agricultural production in most countries. In response, the FAO has issued a \$1.7 billion appeal to purchase seeds, fertilizer, and other agricultural inputs for poor countries. The core problem, Diouf noted, is that in many countries the cost of inputs has risen more

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than the cost of food, reducing sharply the incentive to increase production. In fact, Diouf said that production by developing countries has risen only one percent in the past year. Bangladesh Chief Advisor Ahmed said that, in Bangladesh, fertilizer prices are a bigger problem than seed prices. Even after recent decreases in energy prices, fertilizer is still \$1000 per ton, he noted. The world should focus on how to get a quantum leap in agricultural productivity in poor countries, Ahmed said.

¶11. (U) EC President Barroso described the proposed EU Food Facility, now under consideration by the European Council and Parliament, under which the EU plans to make available Euros 1 billion to increase agricultural production in developing countries by expanding access to agricultural inputs, with a focus on small farmers. The facility would help poor countries, including in Africa, be "part of the solution", Barroso said, and the EU intends to execute the program through UN agencies. Barroso said he expects the Council and Parliament to approve the facility soon. Diouf noted the FAO has high hopes for the facility.

¶12. (U) World Bank President Zoellick noted the current crisis provides an opportunity to create a "green revolution" in Africa. Under five percent of cropland is irrigated in Africa, Zoellick said, and only 11 percent of cropland is planted with enhanced seeds, compared to 40-50 percent in Asia. Investments in irrigation systems, agricultural research and development, and infrastructure could lead to substantial productivity gains. Japanese PM Aso noted that the clear importance of research and development into new crop varieties, and described Japan's successful experience with its Nerica rice variety in Tanzania.

¶13. (U) Malawi President Bingu Wa Mutharika described his country's experience subsidizing agricultural inputs, which he termed an "uphill battle" in the face of opposition from the international financial institutions. Malawi has tripled maize production in the last three years and also enjoys a "tremendous surplus" of rice, beans, and other crops that it is able to sell to its neighbors. The government is planning to develop a 10-20 kilometer "green belt" of irrigated cropland around Malawi's lakes and rivers, which should enable the country to expand its exports of rice, Bingu Wa Mutharika said. However, heavy post-harvest losses remain a problem in Malawi, and the government is introducing small, metallic grain silos to increase food security at the local level. Bingu Wa Mutharika acknowledged that the government can't continue its

subsidies forever, and is developing an exit strategy as farmers sell more and have higher incomes.

Guidelines on Private Agricultural Investment

¶14. (U) IFAD President Bage noted that his organization is currently replenishing its funds and hopes to raise \$5 billion for the next five years. "The era of cheap food is over", Bage said, and private investment is now flowing into developing countries, many of which have a comparative advantage in food production. Bage also suggested that the international community needs to create guidelines so that investment in agriculture in developing countries is economically and socially sustainable and brings development benefits to communities. The guidelines could set out best practices in order to harness as beneficially as possible the private sector investment in agriculture.

Climate Change--Expectations for Poznan

¶15. (U) SYG Ban, Danish PM Rasmussen, Indonesian Foreign Minister Wirajuda, and Polish Under Secretary of State Schnepf made similar comments outlining their expectations for the December 2008 Conference of Parties ministerial of the UN Framework Convention on Climate Change (UNFCCC) in Poznan. Each described four outcomes they said would be needed to ensure a success in Poznan:

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--Agreement on a detailed, concrete work program for 2009 (Rasmussen added that the work program should include fixed deadlines);

--Agreement on a shared vision for a 2009 agreement, including on a sufficient institutional architecture;

--Implementation of a fully operational and funded adaptation fund;

--A "clear signal" that developed countries are ready to discharge their responsibilities on reducing their emissions and funding mitigation activities, which will help developing countries consider appropriate responses.

¶16. (U) Korean Prime Minister Han noted that his country has adopted a new national vision of low-carbon green growth. Korea has also proposed an "East Asia Climate Partnership" under which it would make available \$200 million to help Asian countries formulate carbon reduction policies and implement pilot projects. The partnership recognizes that many of the big emitters are Asian countries, Han noted. Korea would also like to host a "Rio +20" conference in ¶2012. In response, Indian Minister of State Sharma stated that with 1.1 billion people, India has the lowest global per capita consumption of energy, and therefore would not be a leader on mitigation efforts.

¶17. (U) Antigua and Barbuda PM Spencer, speaking on behalf of the G77, said there "needs to be a change in mindset among developed countries" concerning the urgency of responding to climate change. Developed countries need to show determination to maintain temperatures within two degrees of pre-industrial levels. The EU has showed progress, Spencer said, but there has been no change in the position of other developed countries. The UNFCCC adaptation fund needs to be a priority; efforts to establish a fund at the World Bank "send a negative signal." Developed countries appear to be stalling in the UNFCCC negotiations rather than making honest attempts to reach agreements. The consequences of this approach will be dire, Spencer said, and there is an urgent need to send the right political message.

Comment

¶18. (SBU) There was surprisingly little discussion of biofuels as a contributor to the global food crisis compared to the substantial attention paid to the issue during the June 2008 High-Level Conference on Food Security. Indian Minister of State for External

Affairs Sharma raised biofuels in the context of food availability, noting briefly that the issue wasn't the increase in ethanol production, but rather the diversion of 150 million tons of grain. Chilean President Bachelet said simply that the world needs to focus more attention on second generation biofuels made from grass and seaweed.

List of Participants

¶19. (U) Government representatives participating in the event included Burkina Faso President Blaise Compaor; Chilean President Michhle Bachelet Jeria; Liberian President Ellen Johnson-Sirleaf; Malawi President Dr. Bingu Wa Mutharika; Timor-Leste President Jos Ramos-Horta; Antigua and Barbuda Prime Minister W. Baldwin Spencer; Bangladeshi Chief Advisor Fakhruddin Ahmed; Danish Prime Minister Anders Fogh Rasmussen; Grenada Prime Minister Tillman Thomas; Japanese Prime Minister Taro Aso; Korean Prime Minister Han Seung-soo; Brazilian Foreign Minister Celso Luiz Nunes Amorim; German Foreign Minister Frank-Walter Steinmeier; Indonesian Foreign Minister Hassan Wirajuda; Italian Foreign Minister Franco Frattini; South African Foreign Minister Nkosazana Dlamini Zuma; Indian Minister of State for External Affairs Anand Sharma; Spanish Secretary of State for Foreign Affairs Angel Lossada; U.S. Director of Foreign Assistance and USAID Administrator Henrietta H. Fore; UK Secretary of State for International Development Douglas Alexander;

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Argentina Deputy Foreign Minister Victor Taccetti; French Minister for European Affairs Jean-Pierre Jouyet; and Polish Under Secretary of State for Foreign Affairs Ryszard Schnepf.

¶20. (U) Non-governmental participants included Secretary-General Ban Ki-moon (host); World Bank President Robert Zoellick; World Food Programme Executive Director Josette Sheeran; Food and Agriculture Organization Director-General Dr. Jacques Diouf; IFAD President Lennart Bage; African Union President Jean Ping; European Commission President Jos Manuel Barroso; and Miguel d'Escoto Brockmann, President of the 63rd General Assembly.

Khalilzad